

NOTE 9 – CAPITAL ASSETS

A. Primary Government

Summary of Significant Accounting Policies

Methods used to value capital assets

Capital assets, which include property, plant, equipment, and infrastructure items (e.g. roads, bridges, ramps, and similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation.

Capitalization policies

All land and non-depreciable land improvements are capitalized, regardless of cost. Equipment is capitalized when the cost of individual items exceed \$5 thousand, and all other capital assets are capitalized when the cost of individual items or projects exceed \$100 thousand.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Items not capitalized and depreciated

The State possesses certain capital assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include works of art and historical treasures, such as statues; monuments; historical documents; paintings; forts and lighthouses; rare library books; miscellaneous capitol-related artifacts and furnishings; and the like.

Depreciation and useful lives

Applicable capital assets are depreciated using the straight-line method, with a half-year's depreciation charged in the year of acquisition and in the year of disposal. Agencies assigned useful lives that were most suitable for the particular assets. Estimated useful lives generally were assigned as follows:

Asset	Years
Equipment	2-20
Buildings	5-50
Infrastructure	15-40
Land Improvements	5-40

Modified approach for infrastructure

The State has elected to use the "modified approach" to account for certain infrastructure assets, as provided in GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels.

Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

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Notes to the Financial Statements

Capital asset activities for the fiscal year ended September 30, 2003 were as follows (in millions):

Governmental Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclass- ifications	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 3,082.4	\$ 19.7	\$ (.1)	\$ 1.0	\$ 3,103.1
Land improvements	5.1	.1	-	-	5.2
Construction in progress	1,214.6	463.6	(289.4)	(.8)	1,388.0
Infrastructure	11,487.5	196.8	(120.6)	-	11,563.7
Mineral rights	18.9	-	-	-	18.9
Total capital assets, not being depreciated	15,808.5	680.3	(410.2)	.3	16,078.9
Capital assets, being depreciated:					
Land improvements	92.9	5.3	(.4)	11.1	108.8
Equipment and vehicles	668.1	314.3	(305.6)	(.3)	676.6
Buildings	2,973.8	174.0	(37.1)	27.7	3,138.3
Infrastructure	594.7	10.6	(1.3)	.1	604.2
Total capital assets, being depreciated	4,329.5	504.1	(344.4)	38.6	4,527.9
Less accumulated depreciation for:					
Land improvements	(29.7)	(3.2)	.2	(5.5)	(38.3)
Equipment and vehicles	(465.8)	(440.0)	382.3	10.7	(512.7)
Buildings	(976.5)	(99.0)	26.8	(1.4)	(1,050.1)
Infrastructure	(316.1)	(22.4)	1.0	1.0	(336.6)
Total accumulated depreciation	(1,788.1)	(564.6)	410.2	4.8	(1,937.7)
Total capital assets, being depreciated, net	2,541.4	(60.5)	65.9	43.4	2,590.2
Governmental activity capital assets, net	<u>\$ 18,349.9</u>	<u>\$ 619.8</u>	<u>\$ (344.3)</u>	<u>\$ 43.7</u>	<u>\$ 18,669.0</u>
Business-type Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclas- sifications	Ending Balance
Capital assets, being depreciated:					
Buildings	\$ 1.6	\$ -	\$ (1.6)	\$ -	\$ -
Equipment	2.1	1.9	-	-	4.0
Total capital assets, being depreciated	3.7	1.9	(1.6)	-	4.0
Less accumulated depreciation for:					
Buildings	(1.6)	-	1.6	-	-
Equipment	(1.7)	(1.7)	-	-	(3.4)
Total accumulated depreciation	(3.3)	(1.7)	1.6	-	(3.4)
Total capital assets, being depreciated, net	.4	.2	.1	-	.6
Business-type activity capital assets, net	<u>\$.4</u>	<u>\$.2</u>	<u>\$.1</u>	<u>\$ -</u>	<u>\$.6</u>

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Depreciation expense was charged to functions of the primary government as follows:

	<u>Amount</u>
Governmental Activities:	
General Government	\$ 23.9
Education	.3
Family Independence Services	19.8
Public Safety and Corrections	42.5
Conservation, Environment, Recreation, and Agriculture	2.3
Labor, Commerce, and Regulatory	.8
Health Services	4.3
Transportation	27.2
Depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their use of the assets.	<u>47.8</u>
 Total Depreciation Expense – Governmental Activities	 <u><u>\$ 169.0</u></u>
 Business-type Activities:	
Enterprise	<u>1.7</u>
 Total Depreciation Expense – Business-type Activities	 <u><u>\$ 1.7</u></u>

B. Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in millions):

	<u>Amount</u>
State Universities:	
Land and other non-depreciable assets	\$ 92.1
Buildings, equipment, and other depreciable assets	3,606.6
Infrastructure	-
Construction in progress	<u>339.6</u>
Total	4,038.3
 Less accumulated depreciation	 <u>(1,384.6)</u>
 Capital Assets, net – State Universities	 2,653.7
 Capital Assets, net – Authorities	 <u>148.0</u>
 Capital Assets, Total – Discretely Presented Component Units	 <u><u>\$ 2,801.7</u></u>